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Legislative Update

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MONDAY, AUGUST 17 2009

STATE OF ECONOMY: BUSINESSMEN REPS. MCGREGOR, UJVAGI, AND GOYAL WEIGH IN ON MANUFACTURING SLUMP

The economic recession has hammered Ohio's manufacturing sector and two of the state's three legislators with personal ties to the industry have not escaped unscathed. All three, however, believe a recovery is finally in sight.

Rep. Ross McGregor (R-Springfield) and Rep. Peter Ujvagi (D-Toledo) both said their companies have had to lay off numerous employees and make other painful changes to survive the ongoing recession. By contrast, Rep. Jay Goyal (D-Mansfield) says his family's firm is weathering the storm and might even expand soon.

Rep. McGregor, manager of business projects for Pentaflex, Inc., a metal-stamping business that his father established in 1972, said the recession has hit the company hard.

The firm, which produces axle, brake and subassembly parts primarily for the automotive, heavy truck and agricultural equipment industries, has downsized from nearly 200 employees working three shifts a year-and-a-half ago to 58 workers on one shift today.

In addition, the company has frozen wage increases, reduced executive staff salaries, and implemented energy conservation measures, he said in a recent interview. "We have certainly not escaped the wrath of the recession."

However, the downward trend appears to have stabilized and Pentaflex has seen a recent up tick in orders for heavy truck components, he said. "I'm happy to say we're calling a few of the people back that we've had to lay off, though not as many as I'd like."

That's made him "cautiously optimistic" about the future, predicting the state's economy could begin to improve in six to nine months. "I think we are, if not at, we are soon approaching the bottom of this recession."

However, some of the increasing orders are likely due to Pentaflex outlasting some of its "worthy competitors" in the region, he said.

"There are a lot of bankruptcies going on out there in the manufacturing arena, particularly in the automotive supply chain. So we've been able to pick up new work," he said. "Demand may be low, but it's not non-existent. Somebody has to do the work."

While the slump in the automotive market has affected his company to some extent, Rep. McGregor said it could have been worse.

"I see companies that service this one account and when it's good, it's great. But when that one account has a problem - when they sneeze, everybody else gets cancer," he said. "We've seen a lot of people in that situation and that is very concerning for Ohio."

The same problem is reflected on a larger scale with Ohio manufacturers' concentration on the automotive industry, he said.

Pentaflex, by contrast, is relatively diversified and the company recently entered the solar energy market with a contract to manufacture a subassembly for a solar collection device, he said. "That could be a lucrative line of business for us."

However, Rep. MrGregor was somewhat doubtful that the surge of interest in alternative energy could fully replace the decline of other manufacturing in automotive and other areas.

Rep. Ujvagi, president of E & C Manufacturing Co., Inc., said the recession has also forced the company, which his father established shortly after emigrating from Hungary in 1957, to lay off about half of its workforce. He declined to give specifics.

However, things could have been worse for the company, which makes machinery used in the fiberglass packaging industry, he said. "We've been fortunate in that we've stepped away from automotive as a critical component of our business mix some time ago."

Automakers' practice of "bleeding" their suppliers was "shortsighted," he said, pointing to a significant loss of skilled machinists and machine companies able to do the work that the industry depends on.

"Basically the automotive industry's policies were driving prices down to such a level that, quite honestly, it was a question of which small company was willing to bleed the longest and the most. That just doesn't make sense," he said.

The Toledo Democrat said his company's fortunes were linked to the crises in the banking and housing industries. "It was an absolute waterfall effect that occurred. Because this country is so tied to consumer spending, that essentially has to pick back up again for the economy to begin to grow."

The credit crunch has been especially treacherous for many smaller manufacturers, he said.

"The ability to have working capital, cash flow, the fact that one bank was swallowed up by another, the banking relationships that have been there for years are disappearing, it is very, very difficult," Rep. Ujvagi said, foreseeing additional problems if banks' prospects don't improve.

"Without access to capital and cash flow, quite honestly even when the economy starts up, if the banking industry isn't healthy enough to be willing to take risks and lend funds, that's going to slow down and choke the recovery," he said.

Nonetheless, like Rep. McGregor, Rep. Ujvagi is hopeful that the economy will begin to recover soon.

"On a macro level, there seems to be indications that the economy is going to pick up," he said. While the company has not yet seen an increase in orders, new opportunities are appearing in the alternative energy and green building industries.

For his part, Rep. Goyal, vice president of Goyal Industries, says his family's firm has largely avoided the problems that have battered other manufacturers in the state.

"We were fortunate enough to have gotten some contracts right before the bottom fell out when Lehman Brothers collapsed late last year, and that's helping to carry us through," he said.

Rep. Goyal said the 20-year-old company, which specializes in producing parts for subway systems, would likely be hiring this year. Goyal Industries currently has about 25 employees.

The decline in automotive parts manufacturing and other markets has generated increased competition from companies trying to expand in intercity rail, he said. "But we've been able to increase our market share because we have a good product, because we have good service and because our customers feel we're adding value."

BUDGET CUTS FOR SOIL & WATER CONSERVATION DISTRICTS COULD PROVE COSTLY, OFFICIAL SAYS

Little more than a month after lawmakers dried up their funding, some soil and water conservation districts are already cutting staff and services, and officials fear state cuts will prompt further reductions at the county level.

Lawrence Burdell, president of the Ohio Federation of Soil and Water Conservation Districts, said the new biennial budget (HB 1) marks the first time in many years that the state failed to match county funding one-to-one.

"That's going to make county commissioners much more apt to cut when they're not seeing that what they put up is going to be matched one-to-one," he said.

"We're seeing districts already having to lay off people," he said. "We're hearing that on an almost daily basis. They're doing it in anticipation so that they can keep their offices open."

OFSWCD Executive Director Mindy Bankey said soil and water districts are seeing a 6% reduction, or \$770,000 less in local funding and nearly \$3.3 million less in state match for fiscal year 2010. In FY 2011 the group anticipates a further \$2.6 million reduction in both state and county funding.

As part of the administration's plan to reduce general revenue fund obligations, the executive budget proposed funding conservation districts with increased tipping fees on both construction and demolition debris landfills and municipal solid waste

facilities. However, lawmakers scrapped the proposed \$2.25 per-ton increase on C&DD, leaving only the new \$0.25 per-ton assessment on MSW.

Ms. Bankey said the tipping fee increase would yield roughly \$3.3 million a year, however in fiscal year 2010 districts will see only \$2.4 million due to an implementation delay.

GRF funding was reduced from about \$12.8 million in FY 2009 to \$6.9 million in FY 2010 and \$2.9 million in FY 2011, she said. "As a result, this level of funding provides roughly a 79% level of match for FY 10 and around 50% for FY 11."

Mr. Burdell said many districts are reducing staffing for education specialists that teach agricultural and conservation in school districts, which often don't have faculty to teach those subjects.

Water quality throughout the state will likely suffer as a result of decreased funding for programs that help reduce the impact of agricultural runoff and soil erosion, he said.

Poorer water quality means municipalities will have to spend more for drinking water, he said. For example, the city of Columbus offered funding for programs that help farmers reduce their agricultural runoff into the Scioto and Olentangy Rivers, which provide the city's drinking water.

"Any time you let water get dirty, it's going to cost you two, three, four times as much to get it back and any time you let a piece of ground lose its fertility, you not only lose production but it costs more when you eventually decide to bring it back up," he said.

"So we think it's a very unwise financial decision to not keep the soil and water in as good a condition as you can," he said.

Mr. Burdell said conservation districts are planning to lobby this fall for a bill that would increase their state funding. Jointly sponsored by Sen. John Carey (R-Wellston) and Sen. Dale Miller (D-Cleveland) the measure would allocate \$6 million a year for districts by decoupling the state's tax code from impending federal changes.

BATCHELDER NAMES 10-MEMBER SCREENING PANEL TO FIND REPLACEMENT FOR JONES' SEAT

House Minority Leader Bill Batchelder named a screening committee Monday to find a replacement for the 67th House District seat, which was left vacant by former Rep. Shannon Jones's transition to the Senate.

Rep. Batchelder (R-Medina) appointed Rep. Ron Maag (R-Lebanon) and Rep. John Adams (R-Sidney) to co-chair the panel.

The caucus said other members include: Rep. Lou Blessing (R-Cincinnati), Rep. Matt Huffman (R-Lima), Rep. Randy Gardner (R-Bowling Green), Rep. Courtney Combs (R-Hamilton), Rep. Seth Morgan (R-Huber Heights), Rep. Jim Zehringer (R-Fort Recovery), Rep. Joe Uecker (R-Miami Township) and Rep. Peggy Lehner (R-Kettering).

Peter Beck, vice mayor of Mason, has announced his intention to apply for the position, according to a recent report published in *The Cincinnati Enquirer*. Jeffrey Monroe, a Lebanon city councilman, has also reportedly expressed interest in the seat.

Last week the Senate chose Sen. Jones (R-Springboro) to serve out the remainder of deceased Sen. Bob Schuler's term in the suburban Cincinnati seat.

Rep. Batchelder issued a statement commending Sen. Jones for her service.

"I am also very appreciative of her recent commitment to fully support the person selected by the screening panel as her replacement," he said.

"It is of the utmost importance that our caucus work in a very fair and open fashion to identify a person who possesses the character, integrity and work ethic that the people of Warren County deserve," he added. "I can say with absolute certainty that the members serving on this panel are committed to working closely with the citizens of the 67th House District during the screening process."

Prior to Ms. Jones, the seat was held by former Rep. Tom Raga, who stepped down to run as lieutenant governor during Ken Blackwell's unsuccessful 2006 gubernatorial bid.

Applicants must send their information to Mr. Batchelder at 77 S. High St., 14th Fl, Columbus, OH 43215 no later than Friday, August 28.

SUPREME COURT WARNS ON INTERNET SCAM TARGETING LAWYERS

Responding to multiple inquiries from lawyers across the state, the Ohio Supreme Court on Monday issued a warning on a debt collection scam targeting people in the legal profession.

The court's Office of Attorney Services said the scam involves bogus emails sent from supposed lawyers to legitimate practitioners regarding the collection of a debt. The lawyers are sent bad checks for payment and instructed to wire funds and keep a portion for their fees.

"The Ohio lawyer then deposits the check in his/her Interest on Lawyers Trust Account (IOLTA), wires funds to the creditor, and retains the agreed upon amount as attorney fees," the court reported. "Meanwhile, the check goes through international banking channels until it's eventually discovered that insufficient funds are available in the account to cover the amount. The bank debits the IOLTA for the amount of the returned check, while the lawyer has wired "good," client funds to the purported creditor."

Attorney Services Director Susan Christoff said bad checks deposited in IOLTAs could negatively impact the delivery of legal services for those most in need.

The court said the scam has typically portrayed actual Asian companies as the proposed "client," and targeted lawyers names appear in the initial email. The court asked any Ohio lawyers approached with the fraudulent transaction to contact the FBI's Internet Crime Complaint Center.

CAPITOL SCENE: HISTORICAL SOCIETY GETS ACTING DIRECTOR

The Ohio Historical Society, whose executive director passed away earlier this month, has named James D. Strider as acting executive director, the organization announced Monday.

Mr. Strider, a 28-year OHS employee, has served as director of historic preservation and outreach services.

He joined OHS in 1981 after working as director of the Summit County Historical Society.

Mr. Strider succeeds William Laidlaw, who died recently while swimming off the coast of Martha's Vineyard.

TUESDAY, AUGUST 18 2009

GOVERNOR'S EMERGENCY ORDER LETS TRACK-SLOTS RULES TAKE EFFECT IMMEDIATELY

Temporary rules needed to advance installation of up to 17,500 slot machines at the state's seven horse racetracks took immediate effect Tuesday under an executive order issued by Gov. Ted Strickland.

Mr. Strickland determined an emergency existed because failure to adopt the rules would lead to shortfalls from a projected \$933 million that the video lottery terminals are expected to generate in the biennial budget.

"I believe that an emergency exists justifying the suspension of the normal rule-making process when the failure to act immediately would negatively impact the citizens of Ohio," the governor said.

The temporary rules, which expire Nov. 16, mirror a package of permanent rules that the Ohio Lottery Commission initially approved Monday. The permanent rules will be subject to a public hearing expected Sept. 18, with final lottery commission action Sept. 21. Then they go before the Joint Committee on Agency Rule Review, likely at an Oct. 5 meeting.

Gov. Strickland's emergency rules did not vary from those the commission proposed. They provide for up to 2,500 VLTs at each of the seven tracks. VLTs would operate 24 hours a day and seven days a week, and anyone 18 or older could play. Each VLT license would cost \$65 million, payable in five installments of \$13 million with the first due Sept. 15.

License holders would be required to make \$20 million worth of capital improvements for VLT operations within the first year of operation, and at least \$80 million over five years.

Separately, 31 conservative groups and individuals lined up in the Ohio Supreme Court in support of a lawsuit that contends a lottery slots law should be subject to a statewide vote. They filed a friend of the court brief on behalf of LetOhioVote.org, a ballot issues committee that is asking justices to declare VLT provisions inserted into the state budget are subject to referendum.

"In the span of one week in July, the governor and the General Assembly acted in whirlwind fashion to circumvent the letter and the spirit of Ohio law by denying the people their constitutional right to vote on whether gambling in the state should be expanded via so-called 'video lottery terminals,'" the anti-slots groups said.

"But the Machiavellian plan cannot be upheld by the Ohio Supreme Court, because the ends- -no matter how noble or important they are believed to be - do not justify the means," they told justices.

Among the 31 groups and individuals: Buckeye Christian Schools Association, Citizens for Community Values, Constitution Party of Ohio, Family First PAC, Grove City Church of the Nazarene, Vandalia United Methodist Church, and former Ohio House members Ronald Hood and Twyla Roman.

They argued that a video lottery terminal "is clearly a slot machine," and not an extension of the lottery. "Ohio law expressly prohibits the use of slot machines and, thus, VLTs," the memorandum said.

PANEL FINALIZES CASINO ISSUE BALLOT LANGUAGE

The Ohio Ballot Board Tuesday unanimously approved the language that voters will see in November when deciding whether to pass Issue 3 to authorize the construction of casinos in Columbus, Cleveland, Toledo and Cincinnati.

Lawyers representing groups opposed to the constitutional amendment were successful in convincing members to include ballot language, noting that any games approved in neighboring states would be automatically permitted.

Members further agreed to the opposition's recommendations to tell voters that the casinos could operate 24 hours a day, seven days a week and would be exempt from local zoning laws. However, the language notes the facilities would be subject to state and local laws on health and building codes.

Attorneys representing the supporters convinced the board to insert language that would require casino operators to pay the state a \$50 million fee to fund job training efforts and invest \$250 million in each facility.

Lawyers from both sides clashed over how to draft language describing the 33% casino tax that operators would be required to pay.

D. Michael Grodhaus of the Vote NO Casinos Committee, said the definition of "gross casino revenue" in the amendment would exempt any income from cash wagering games. Therefore, the actual tax rate could be considerably less than 33%.

John Oberle, representing the Ohio Jobs & Growth Committee, dismissed the contention, saying earnings from cash wagering clearly qualified as gross casino revenue.

Moreover, the proposed Casino Control Commission would ensure that operators don't attempt to skirt the tax, he said. "If somebody came up with a scheme that they think they could get away from the tax issue, that is really going against the integrity of gaming."

Attorney Fred Mills, representing Northfield Park racetrack, said the ballot language should focus on the fact that casino operators would retain 67% of the revenue, rather than pay a 33% tax. "That 67% does go somewhere else and I think the voters have the right to know that."

Don McTigue, a lawyer representing the petitioners, said language claiming 67% of revenues would go to casino operators wasn't true because they would still have to pay sales tax, income tax, and other applicable taxes.

Secretary of State Jennifer Brunner noted nothing in the amendment referred to 67% of casino revenue. "My concern is that by attempting to clarify that, we could obfuscate the language," she said.

Ballot Board members settled on language saying the amendment would "levy a fixed tax of 33% of gross casino revenue received by each casino operator of the four casino facilities."

Following adoption of the ballot language, members adopted petitioners' language for the argument in favor of the ballot issue.

TruthPAC and the Vote NO Casinos Committee, which both submitted arguments against the measure, agreed to collaborate on language to be adopted during a hearing Thursday.

Issue 2: The board also approved the argument in favor of Issue 2 drafted by proponents Ohioans for Livestock Care.

Prior to approving the opposition argument, members made substantial changes to proposed language from the Secretary of State's Office.

JUDGE IN UNCLAIMED FUNDS LAWSUIT ORDERS OHIO TO PAY 6% INTEREST TO RIGHTFUL OWNERS

A Franklin County judge ruled in a class action lawsuit Tuesday that the state is obligated to pay 6% interest to owners of unclaimed funds who were denied such payments under a law declared unconstitutional earlier this year.

Common Pleas Judge Richard Frye said in a 22-page opinion that he chose the 6% figure because that was the rate that applied prior to 1991 for thousands of persons who reclaimed dormant funds through the Department of Commerce.

In 1991 the General Assembly enacted a now-defunct law that let the state keep the interest earned on about \$1.2 billion worth of unclaimed bank accounts, insurance proceeds, and other dormant items.

Judge Frye rejected the state's argument that he should award interest to the class based on bank rates, or on the actual amount earned while the money was in the state's custody.

"The court has instead concluded, based upon Ohio Supreme Court rulings spanning more than a century, that the proper approach is to resurrect the former statute ostensibly repealed in 1991 when the unconstitutional law was enacted," the judge said.

"It provides a 6% rate. That rate is to be applied to all accounts that exceeded the minimum amount of \$25 for the entire time funds were held by the state," Judge Frye said.

He acknowledged that the state must still determine the exact compensation due to individual owners of the money.

"Previous proceedings in this case determined that roughly 40,000 people each year recover unclaimed funds from the state, and that the total returned is in the \$50 million range every year," Judge Frye said.

The Ohio Supreme Court earlier this year struck down the 1991 law that let the state keep interest earnings on the money.

Justice Paul Pfeifer said at the time the law was "breathtakingly bold and strikes at the core of the concept of private property because, at a stroke, the General Assembly severed the link between the owner of an asset and the income produced by that asset."

Justices sent the case back to the trial court to determine how much interest was owed to each claimant.

Judge Frye said that while a 6% interest rate seems high in the current economy, that is the specific rate the General Assembly selected and used for ten years before it enacted the now-scrapped 1991 measure.

"Because the 6% rate was chosen in 1981 during historically high inflation and double-digit interest rates it seems reasonable to infer that that rate never was intended to closely mirror market conditions," he said.

"Instead, the rate was probably seen as a realistic average over the long run. Settling upon one rate no doubt was also easier to use in administering the unclaimed funds program than a floating rate tied to state earnings," Judge Frye said.

He also rejected the state's claim that the Supreme Court opinion limited the interest payment to four years. He indicated that the four years referred to the time frame for filing such a lawsuit.

Judge Frye said that prior to the unconstitutional 1991 law, the state always paid interest for the entire time it held unclaimed funds.

"Transposing the statute of limitations period as an additional barrier to full recovery would be a radical and unprecedented step in takings law," he said.

"It would yield a windfall to the state, and must be rejected as a misunderstanding of the Ohio Supreme Court's holding," he said.

Judge Frye also ordered the state to pay post-claim interest due each class member, over and above their recovery of 6% interest on the unclaimed funds.

Parties in the case now are to calculate the amount of money involved overall, a figure that will help determine the amount of attorney fees awarded.

OHIO BUSINESS: CARDINAL HEALTH SEES REVENUE GROWTH, EARNINGS DECLINE; GM RESTORING LORDSTOWN JOBS; TOLEDO

Cardinal Health said Tuesday it recorded declines in earnings and increases in revenue in both the fourth quarter and for all of fiscal year 2009.

The health care services business said it saw fourth-quarter revenue growth of 10% to \$25.2 billion, and a 15% decline in earnings from continuing operations to \$268 million.

The Dublin-based firm said the earnings decline was driven by previously disclosed factors impacting the clinical and medical products business, with a partial offset from solid profit growth from the healthcare supply chain services segment.

For full fiscal 2009, consolidated revenue grew 9% to \$99.5 billion, and earnings from continuing operations declined 12% to \$1.1 billion.

Cardinal said fourth-quarter and full-year profit for the clinical and medical products segment declined on a year-over-year basis within company expectations.

The spin-off of CareFusion Corp., the company that will become public from Cardinal Health's clinical and medical products businesses, remains on track to be completed after the close of business on Aug. 31.

Kerry Clark, chairman and CEO, said both Cardinal Health and CareFusion have solid foundations and initiatives in place to position themselves for long-term success.

"Fiscal 2009 saw accelerated investments to improve our ability to serve customers, as well as disciplined cost-containment measures, all of which will continue through an important transition year in fiscal 2010," Mr. Clark said in a news release.

General Motors: General Motors announced it would put more than 1,000 Ohioans back in their jobs at its manufacturing plant in Lordstown - a decision welcomed by Gov. Ted Strickland.

"I applaud General Motors' decision to bring more than 1,000 workers back online at the company's facility in Lordstown," the governor said. "The strength of Ohio's workforce has laid the foundation for General Motors' historic success, and skilled Ohioans like those in the Lordstown community will be the bedrock for the company's fuel-efficient product line going forward.

Mr. Strickland said he and Lt. Gov. Lee Fisher urged corporate leaders to restore the jobs when they met with GM's CEO last month.

INTRODUCED IN THE HOUSE

HB 271 TOWNSHIP FIRE DEPARTMENTS (Patten, Stewart) To modify coverage of the Public Employees' Collective Bargaining Law with respect to township fire departments. Am. 4117.01 and 4117.09

WEDNESDAY, AUGUST 19 2009

TRAVEL TIME ON OHIO PASSENGER RAIL ESTIMATED TO COMPETE WITH DRIVING; REGIONAL COUNCILS ENDORSE PLAN

The Ohio Rail Development Commission said Wednesday that early projections show travel times along a proposed passenger train route from Cleveland to Columbus would be about the same as needed to make the trip in a car.

The ORDC and the Ohio Department of Transportation are working with Amtrak and freight railroads to study routing and potential ridership for passenger trains traveling up to 79 miles per hour.

Gov. Ted Strickland is seeking up to \$400 million in federal economic stimulus funds to begin Amtrak service on a line from Cleveland to Columbus, Dayton, and Cincinnati. The conventional speed service is targeted to begin in 2011.

The ORDC said estimates from state passenger rail engineers of travel times on potential routes show a trip via train from downtown Cleveland to downtown Columbus would take about three hours.

"That competes with the expected time for highway travel of about two and a half hours along the 145 mile route," the ORDC said in a news release.

A trip from downtown Cincinnati to downtown Columbus, through downtown Dayton, is projected to take about three hours. Highway travel along the 130-mile route was estimated at two hours, 20 minutes.

"What makes the time on the train competitive is how you can use it," said Matthew Dietrich, ORDC executive director.

"The business traveler can be on the phone or connected to a laptop the minute he or she gets on the train. Travel time no longer has to be down time," Mr. Dietrich said.

Release of the estimated travel times came as the state agencies prepared to hold a workshop on the proposed route Thursday at the Fawcett Conference Center in Columbus.

Another workshop is scheduled Sept. 15 in Columbus to discuss the preferred corridor and stations.

Public meetings will be held in Cleveland, Columbus, and Cincinnati during the week of Sept. 15.

Ohio's application for stimulus funding for the conventional speed rail service is to be submitted to the Federal Railroad Administration by Oct. 2.

Councils Support: Separately, the Ohio Association of Regional Councils on Wednesday went on record in support of state efforts to develop "a robust passenger rail system" to serve residents.

The association, an organization of 21 agencies in different parts of the state, said Ohio might find it difficult to connect to a future high-speed rail system if it fails to develop "substantial" passenger service within the next few years.

John Getchey, the association president who also heads the Eastgate Regional Council of Governments in Youngstown, said states that border Ohio are now developing intercity passenger rail service.

"Ohio is already behind," Mr. Getchey said.

"As the state pulls together its application for federal stimulus funds, we must understand that if Ohio is to leverage its considerable advantages of location and population density, it must be successful in receiving its share of the \$8 billion in federal stimulus funds that have been set aside to fund rail projects," he said in a news release.

The association said Ohio is the only state in the Midwest that does not operate a state-supported passenger rail system.

Advocates view conventional speed service as laying the foundation for a system in which trains could travel up to 110 miles per hour.

Howard Maier, executive director of the Northeast Ohio Areawide Coordinating Agency in Cleveland, characterized as Ohio as "the hole in the doughnut" of Midwest passenger rail.

"Everything around us is moving down the tracks. That's why we're pledging our resources to help the Ohio Department of Transportation and the Ohio Rail Development Commission submit the best possible application that the federal government will receive," Mr. Maier said.

Amtrak: Passenger service along what is known as Ohio's 3C Corridor ended in 1971.

Amtrak, acting at Gov. Strickland's request, is conducting a multi-phase study of freight rail routes in connection with the proposed restoration of passenger routes.

Among the issues: compatibility with existing traffic, necessary capital improvements, potential service schedules, ridership, revenue and state operating contribution.

Three long-distance Amtrak trains currently cross Ohio. During fiscal year 2008, total Ohio station usage was 121,019, compared with 110,325 the previous year.

Amtrak's list of boardings and alightings, by city, for FY 2008: Alliance (3,720), Bryan (5,507), Cincinnati (15,067), Cleveland (36,977), Elyria (3,426), Sandusky (5,832), and Toledo (50,490).

SCIOTO COUNTY ENTERS 'FISCAL WATCH' WITH \$3.5 MILLION DEFICIT

Scioto County became the first county in Ohio to be placed in "fiscal emergency" since the financial recovery law went into effect some 30 years ago, State Auditor Mary Taylor said Wednesday.

Her office reviewed the county's finances and identified a deficit of more than \$3.5 million as of June 30, she said. The shortfall will increase unless local officials take action to bring expenses in line with revenues.

Officials from the auditor's Local Government Services Section met with Scioto County commissioners more than a dozen times in nearly two years to help identify ways to eliminate the deficit, she told reporters during a conference call.

"We have discussed several options with county commissioners, but ultimately they have failed to implement them," she said. "The county continues to maintain deficits in several funds and must make tough choices to eliminate them in order for the fiscal emergency to be terminated."

The fiscal emergency declaration prompts the creation of a seven-member state commission to help Scioto County regain financial stability, she said. The panel will be responsible for approving the county's financial recovery plan, which must be submitted within 120 days of the first meeting, and must also be adopted by the county.

Ms. Taylor said commission members will include representatives of: the State Treasurer's Office; the Office of Budget & Management; the president of the Scioto County Board of Commissioners; and the county auditor. In addition, the governor will appoint three county residents with prior business experience.

The State Auditor's Office will serve as the commission's financial supervisor that will review revenues and expenses and monitor compliance with the financial recovery plan, she said.

While 17 local governments, including cities, villages, townships, are currently on the "fiscal emergency" list, Scioto County is the first county to earn the designation.

STATE RECORDS RECORD LIQUOR SALES, GRF TRANSFER

Ohioans spent an extra \$32.2 million on liquor in the last fiscal year, pushing total sales to a record level, the Department of Commerce announced Wednesday.

Overall, Ohio's 442 liquor agencies sold \$729.9 million worth of liquor in fiscal year 2009, a figure that is 4.61% over the previous year.

"During the past fiscal year, the Division of Liquor Control managed operations with increased efficiency," Commerce Director Kimberly Zurz said. "Greater net profit and a larger profit margin helped the Division contribute vital revenue to the state."

The sales helped the Division of Liquor Control transfer \$163 million to the state general revenue fund. The division also delivered an extra \$136 million of liquor sales and tax revenue to support other programs and services, including the retirement of economic development and Clean Ohio bonds, liquor law enforcement and alcohol treatment, education and prevention programs.

Overall, the licensed agencies sold 10.6 million gallons of liquor, a 3% increase from fiscal year 2008.

PUCO SEEKS MORE INFORMATION ON PROPOSED VERIZON-FRONTIER MERGER, APPROVES MEIGS 911 SERVICE

State utility regulators on Wednesday asked two companies seeking merger approval to provide additional information about the consolidation and the impact it could have on Ohioans.

The Public Utilities Commission of Ohio directed Verizon and Frontier to file more testimony and ordered staff to set three public hearings to accept comment on the plan.

The testimony is due by Sept. 8, and interested parties have an additional month to respond.

Commissioner Paul Centolella said he is looking for more information on how the proposed merger's synergies would benefit Ohio consumers, and whether Frontier would be able to sustain Ohio operations.

He also said he is interested in seeing specifics on the companies' plans to expand the availability of broadband services in Ohio.

Ryan Lippe, spokesman for Consumers' Counsel Janine Migden-Ostrander, said the office is pleased that the commission will be taking a close look at service quality and other issues.

"We're gratified that it was not approved and that they're moving forward with some public hearings to hear from residential consumers," he said.

Meigs-911: Separately, the PUCO approved a plan that will result in the offering of wireline 911 services in Meigs County - the final Ohio county to offer the service.

The emergency call service will take effect on Sept. 10.

Under the plan, Verizon will charge its clients 24 cents per month for each access line, while Windstream will charge 25 cents and AT&T will charge 12 cents per line.

Each company is charged with advising Meigs County residents that the service is available.

THURSDAY, AUGUST 20 2009

BALLOT BOARD CHOOSES OPPOSITION ARGUMENT FROM RIVAL CASINO GROUP OVER GAMBLING OPPONENTS

Gambling companies have been battling each other for months over a proposed constitutional amendment to authorize four casinos in Ohio, but a Thursday Ballot Board hearing revealed a rift between Issue 3 opponents as well.

Both the Vote NO Casinos Committee, co-chaired by the Ohio Roundtable's David Zanotti and U.S. Sen. George Voinovich, and Truth PAC, a group backed by MTR Gaming Group, Inc., had submitted arguments in opposition to the measure that would be available to voters online.

During a hearing on Tuesday, attorneys for both organizations agreed to jointly draft the document. By Thursday, however, Vote NO Casinos decided not to collaborate with Truth PAC and the two groups offered separate arguments. The panel ultimately adopted Truth PAC's wording on a 3-0 vote.

Secretary of State Jennifer Brunner said she favored the Truth PAC argument because it was shorter than the 300-word limit and the group had been more actively opposing the issue.

"We've dealt primarily with Truth PAC on this. The Vote NO Committee, while it's been out there, kind of came in a little bit later," she said in an interview.

Ohio Roundtable legislative director Melanie Elsey criticized the board's decision to adopt an opposition argument from a group that's supported by a rival gambling company.

"It's very unfortunate that Secretary Brunner and the Ballot Board allowed the gambling industry to represent both sides of the issue," she said.

The Vote NO Committee decided against cooperating with Truth PAC because "gambling ruins lives and the impact it has on families would never be fairly represented," she said.

The committee would not collaborate in the future with any gambling interests that might be opposing Issue 3, she said.

Luther Liggett, an attorney representing Truth PAC, told Ballot Board members that his clients objected to some of the wording in the Vote NO Casinos argument.

"They're against gaming altogether. Our principals represent racetracks. We're not going to agree to any argument that represents a philosophical opposition to gaming," he said.

The Vote NO Casinos argument includes language saying: "Ohioans know casinos drain billion from the local economy and kill jobs.... Please join with millions of Ohioans who have proven time and again they are too smart to get ripped off by another casino scam."

During a previous hearing, the Ballot Board approved an argument in support of the issue submitted by the Ohio Jobs & Growth Committee that is backing the measure.

LIVESTOCK BALLOT ISSUE PROPONENTS HELP REVISE OPPOSITION ARGUMENT

Although a ballot issue on livestock standards has vocal opponents, no one submitted an opposition argument, which allowed proponents to influence a rewrite of the document that voters will see before casting their ballots in November.

Peg Rosenfield, of the League of Women's Voters of Ohio, said Thursday that the Ohio Ballot Board's decision to revise an Issue 2 opposition argument at the urging of proponents could set a precedent allowing parties on both sides of an issue to quibble over each other's wording.

Contrary to the official ballot language, arguments for and against ballot issues, which are published in newspapers and available at polling stations, often contain statements that could be considered debatable, she told Ballot Board members.

"There have sometimes been in the past some unfair arguments on both sides," she said.

Secretary of State Jennifer Brunner said the fact that no one submitted an argument opposed to a constitutional amendment to create the Livestock Standards Board, the responsibility was left to the Ballot Board. The panel adopted language based on a draft that her office prepared during a hearing Tuesday.

"Our concern was that the argument the Ballot Board did didn't contain inaccuracies," she said, noting it was the first time in her experience that the panel heard testimony on an argument from an opposing party. "We didn't want to be putting out information that wasn't correct."

Although the board often accepts arguments from parties without any revisions, a government board shouldn't distribute anything that contains incorrect information, she said.

"This wasn't intended to be a watered-down version that was pleasing only to the proponents," she said.

Paul Shapiro, senior director of the Factory Farming Campaign for Humane Society of the United States, which opposes the measure, said his group didn't submit draft language because it was currently focused on developments in Michigan.

"Of course we oppose Issue 2 and we'll encourage voters to vote no on it. But so far this hasn't risen to the level that some of our other programs are taking in other states right now," he said.

HSUS still hasn't decided whether to wage a full-fledged campaign in opposition to Issue 2, Mr. Shapiro said. If voters approve the measure, the group will more likely pursue its own constitutional amendment next year.

After testimony on Tuesday from attorney Greg Lestini, who represented Issue 2 proponents, the Ballot Board removed language from the secretary of state's draft that said agribusiness proposed the measure "to create an industry-dominated board."

He argued the draft language contained numerous factual inaccuracies that could mislead the voters. For example, he said language claiming the proposal was "placed on the ballot by special interests" would prompt voters to believe that it was a citizen-initiated measure, rather than one passed by the legislature (SJR 6).

The board also scratched wording about the proposal blocking standards that would "prevent cruel confinement practices" for livestock, leaving as a reason to vote against the measure: "Issue 2 was passed through the Legislature."

HOUSING ADVOCATES SAY RECENT OHIO DATA SHOWS MORTGAGE CRISIS CONTINUING

Despite the recent decrease in the number of foreclosure filings in Ohio, fresh data indicates Ohio's housing crisis is far from over, advocates said Thursday.

The percentage of Ohioans that were late on their mortgage payments rose from 8.7% in the first quarter of 2009 to 9.8% in the second quarter, said the Coalition on Homelessness and Housing in Ohio, which cited new data from the Mortgage Bankers Association.

When combining mortgage delinquencies with the number of properties that are already in foreclosure, one in seven Ohio homeowners were in danger of losing their houses during the second quarter, the group said. That's a 13% increase from the first quarter of the year.

Moreover, 45.6% of the 2.2 million outstanding mortgages in Ohio are in a negative equity position where homeowners owe more than their houses are worth, COHHIO said, citing recent data from First American CoreLogic. Nine months ago the group pegged the figure at 29.1%, an increase of 56.7%.

Three of Ohio's largest cities made CoreLogic's list of the 20 cities with the highest number of underwater mortgages, the group said. Cleveland had 51.1% of its mortgages in a negative equity position, Columbus had 47.5%, and Cincinnati had 43.8%.

Ohio joins California, Florida, New Jersey, Illinois and Arizona as the states with the highest number of properties either in or approaching a negative equity position, according to the report.

By contrast, a recent report from RealtyTrac shows Ohio's foreclosure rate for the first half of 2009 decreased 5.8% from the previous six months and 14.7% from the first half of 2008.

Bill Faith, executive director of COHHIO, said the latest data shows Ohio still has more than 1 million mortgages "in a very fragile position."

"A slight increase in unemployment could push tens of thousands more into the foreclosure pipeline," he said in a statement.

Mr. Faith said the data shows the need for the Senate to support a measure that would impose a moratorium on foreclosures in Ohio, require servicers to process loan work outs, and create a fee that would discourage foreclosure filings and support community redevelopment (HB 3).

"With negative equity so high, a sustainable loan modification makes sense for everyone, including the owners of the mortgage," he said. "For lenders, homeowners and communities in Ohio, HB3 would turn losing into winning."

Paul Bellamy, director of the Cuyahoga County Foreclosure Prevention Program, said the figures were "damning evidence against the lenders' continued inability to get their arms around the foreclosure problem."

"Servicers should be doing loan modifications on a vastly larger scale. We have to change the laws that are fueling this bonfire of our state's accumulated wealth," he said.

OHIO BUSINESS: AEP SEEKS FEDERAL GRANT FOR CO2 STORAGE; LANCASTER COLONY NET INCOME GROWS; MEDICARE CUTS MAY AFFECT OHIO

American Electric Power said Thursday it would apply for \$334 million in federal clean coal funds to cover about half the cost of installing the nation's first commercial-scale carbon dioxide capture and storage system.

The equipment will be used at AEP's Mountaineer coal-fired power plant in New Haven, West Virginia.

The utility will use a chilled ammonia process to capture at least 90% of the carbon dioxide from 235 megawatts of the plant's 1,300 megawatts of capacity.

About 1.5 million metric tons per year of the captured carbon dioxide will be treated, compressed, and injected into suitable geologic formations for permanent storage about 1.5 miles below the surface.

AEP's funding application calls for the system to begin commercial operation in 2015.

The utility will begin operating a smaller-scale validation of the technology next month at the Mountaineer plant. No federal money is being used for the validation project.

Lancaster Colony: An Ohio manufacturer and marketer of specialty foods and other consumer products said Thursday it recorded higher sales, income from continuing operations, and net income for both its fiscal year and fourth quarter.

Lancaster Colony Corp. said net sales in the fourth quarter ending June 30 increased 7% to \$253 million, compared with \$237 million for the same period a year ago.

Specialty Foods sales were up 7% to a record \$226.8 million, with increases in both retail and foodservice sales. The company traced the growth to higher pricing and stronger retail volumes.

For the fiscal year, net sales increased 7% to \$1,051 million versus \$981 million last year. Income from continuing operations was \$89 million, compared to \$48.4 million earned in the preceding fiscal year.

Lancaster Colony said its balance sheet remained strong with no debt outstanding, compared to \$55 million a year ago.

John Gerlach, Jr., chairman and CEO, said Specialty Foods drove the company's improved overall performance.

"Efforts undertaken during fiscal 2008 and 2007 to exit various automotive and glass manufacturing operations now appear quite timely given the economic challenges that have evolved," Mr. Gerlach said.

"Our consolidated financial results have substantially benefited from our heightened focus on the food business," he said in a news release.

Medicare Cuts: The American Health Care Association said Thursday a pending U.S. House bill - combined with other recent Medicare cuts - shows seniors in Ohio and 14 other states who need nursing care could face total cuts of at least \$1 billion over ten years.

Nationally, the study said seniors' Medicare cuts would total \$44 billion over the decade.

Association President Bruce Yarwood said the pending legislation endangers seniors' care needs and the jobs of about 50,000 caregivers nationwide.

The AHCA analysis combined the House bill's proposed Medicare funding reductions over a decade with the \$12 billion, ten-year Medicare cuts that the Centers for Medicare and Medicaid Services recently put into effect.

The state recording the largest total Medicare-funded nursing home cut was California at \$3.78 billion over ten years.

Florida, New York, and Texas followed with the next largest cuts. Ohio was ranked fifth at \$2.55 billion.

FRIDAY, AUGUST 21 2009

LOTTERY SEEKS INFO FROM GAMBLING VENDORS ABOUT SLOTS TERMINALS, CENTRAL SYSTEM

The Ohio Lottery began seeking information from gambling industry vendors Friday as it prepares for a competitive process to acquire as many as 17,500 video slot machines for use at seven horse racetracks starting next May.

A second purpose of a "request for information" posted on the lottery's website is to obtain information leading to a "request for proposals" or other competitive selection for a central management system that would take effect July 1, 2011.

For two years until then, the lottery will implement Gov. Ted Strickland's program of installing video slots at the tracks through Intralot, the Greek company that became the lottery's new central system provider last month.

The lottery invited vendors to submit documents listing their capabilities and interests relative to implementing the track-slots program. It said the material "may be used for informational purposes only in the development of an RFP, which may or may not be issued in the future."

However, in the event of a future RFP and subsequent award, the lottery said it "intends that all proposed hardware, systems, software, and services be delivered, installed, implemented, acceptance tested, and in operation no later than May 2010."

Jeannie Roberts, deputy director for communications, said the request for information was posted only on the website and not mailed to any specific vendors.

"We will launch in May 2010 using Intralot as our central system provider. But we will do that only for the first two years in sort of a bridge contract," Ms. Roberts said in an interview.

"This RFI is to get information to help us write the RFP for the terminals themselves. Then we will write a subsequent RFP for central system service following the Intralot two year period," she said.

"We're negotiating with Intralot to use them for the first two years," Ms. Roberts said. "The terminals are a completely different RFP. We'll likely partner with several terminal providers."

The lottery said the request for information was not a solicitation to provide goods and services, and that no contract would be awarded as a result of it.

"Nothing in this RFI shall limit or preclude the lottery from purchasing other services, equipment, etc., for use as an integral part of a video lottery gaming system or peripherals associated therewith," it said.

In addition, the lottery said:

- Vendor information packages are due for delivery to the lottery Sept. 3.
- Parts of a package may be identified as a confidential trade secret, but a statement that an entire package is proprietary will not be acceptable.
- In the event of a public records request, the lottery said it would notify a vendor and give them 10 days in which to seek a court order prohibiting release of the requested information. Absent a court order, the lottery would review portions of the material marked confidential and determine if they are exempt from disclosure under the Ohio Public Records Law.

Gov. Strickland proposed, and the General Assembly enabled in the state budget, a plan to install up to 2,500 slot machines at each of seven horse tracks across the state.

Rules the governor put in place through an emergency executive order - and which the lottery is now moving to make permanent - provide for the racinos to operate 24/7. Players would have to be at least 18 years old.

The biennial budget anticipates the slot machines would generate \$933 million to help offset a revenue shortfall.

Pending in the Ohio Supreme Court is a lawsuit from slots opponents who contend the gambling expansion should be subject to a potential referendum.

OHIO JOBLESS RATE 11.2% IN JULY, PRIVATE SURVEY REFLECTS CONCERN ABOUT ECONOMY'S STRENGTH, NCSL SEES POSITIVES

The government said Friday that unemployment across Ohio inched upward to 11.2% during July, a slight increase from the previous month and still higher than the national level.

Separately, a monthly survey from a private recruiting and staffing company reflected growing concern about the strength of the economy and job availability.

The Ohio Department of Job and Family Services said the July rate of 11.2% compared with 11.1% unemployment in June.

Nationally, the jobless rate for July was 9.4%, also virtually unchanged from the previous month.

ODJFS said the state's non-farm wage and salary employment increased 9,800 over the month, from 5,113,100 in June to 5,122,900 in July.

"Ohio's labor market remained relatively unchanged in July," Douglas Lumpkin, department director, said in a news release. "Job gains in service-providing industries were partially offset by job losses in goods-producing sectors."

ODJFS pegged the number of workers unemployed in Ohio in July at 664,000, compared with 663,000 in June.

The number of unemployed has increased by 265,000 in the past 12 months. The July unemployment rate for Ohio was up from 6.7% in July 2008.

An ODJFS business establishment survey showed employment among service providers was up 12,200 from June to July. The largest increases were in leisure and hospital, and educational and health services.

Employment was down in trade, transportation, and utilities, professional and business services, and information. Goods-producing industries fell 2,400 to 805,100. Construction employment dropped 1,300.

Confidence Decrease: The Spherion Employment Report released Friday said its "Ohio Employee Confidence Index" decreased by 3.3 points to 42.3 in July.

The monthly survey that Harris Interactive conducted showed that, for a second consecutive month, there were increases in the number of workers concerned about the strength of the economy and who lack confidence in finding a new job.

Harris Interactive conducted the online poll among a U.S. sample of 2,715 employed adults, of whom 121 live in Ohio. Results showed:

- Fifty-six percent of participants believe the economy is getting weaker, an increase of 12 percentage points from June.
- Thirty-six percent lack confidence in their ability to find a new job, a 15-percentage-point increase from the previous month.
- Forty-eight percent said they are likely to look for a new job, an increase of 18 percentage points from June.

Robert Schulte, Spherion franchise owner in Ohio, characterized the July survey as "a hiccup" after an upward trend in the confidence index during the summer.

"Our report indicates that, while workers' fears are focused on the strength of the economy and finding a job, an increased number of workers are likely to look for a new job in the next year, possibly signaling that there is still some optimism around the job search," Mr. Schulte said in a news release.

NCSL Positives: The bipartisan National Conference of State Legislatures found some positives in the release of state unemployment figures for July.

NCSL said 26 states and Puerto Rico posted increases in unemployment from June to July. Earlier this year, almost all states were reporting higher unemployment.

Monthly figures from the U.S. Bureau of Labor Statistics show 17 states saw their unemployment rates decrease in July, while seven states reported no change.

Michigan again led the nation with a 15% unemployment rate. At the same time, Michigan added 38,100 jobs in July.

OHIO BUSINESS: REALTORS SEE 'SIGNS OF STABILIZATION' IN HOME SALES; SMUCKER RECORDS SALES, INCOME GAINS; KROGER BREAD RECALL

The Ohio Association of Realtors said Friday that home sales across the state showed "significant signs of stabilization" last month with activity nearly mirroring the level posted during June.

July's sales of 10,473 were 0.39% below the June sales total of 10,502.

In comparison, the market posted a 10.1% drop during the same month-to-month period in 2007, and a 6.7% decline in 2008.

OAR President Jonathan Hall said the market traditionally reaches its peak activity in June regardless of conditions.

"We're thrilled that our July sales are nearly identical to what the market posted in June - a real indicator that perhaps we've reached or at least are approaching the bottom and will begin to see an uptick in activity in the second half of the year," Mr. Hall said.

The OAR said statewide sales of new and existing homes during the first seven months of the year totaled 56,869, 15.3% behind the sales posted during the same January through July period a year ago.

The average sale price from January through July was \$126,523. That reflects a 10.3% decrease from the average price posted during the period a year ago.

Smucker Gains: Fruits from acquisition of Folgers Coffee continued to grow for Orrville's J.M. Smucker Co. on Friday with increases in net sales and income during the first quarter of fiscal 2010 ending July 31.

Smucker said net sales for the quarter represented a 58% increase over the same period a year ago. Folgers led the way.

First quarter net income of \$98.1 million reflected a 132% increase over fiscal 2009's \$42.3 million.

Overall, gross profit increased \$198.3 million in the first quarter of 2010 compared to 2009, with Folgers contributing over 90% of the increase.

Smucker reaffirmed its outlook for fiscal 2010, in which net sales are expected to amount to about \$4.5 billion.

Richard Smucker, executive chairman and co-CEO, said the company was off to a strong start for the year.

"As we enter the fall bake and holiday period, we will have the first opportunity to offer multi-branding promotional events including Folgers. We support our brands with investments in product innovation and marketing, and believe we are well-positioned for continued long-term profitable growth," he said.

Tim Smucker, chairman of the board and co-CEO, said the company believes that owning number one brands provides a competitive advantage.

"Our strong and growing portfolio of number one brands meets the needs of today's consumers, particularly as the 'eat at home' trend continues," he said in a news release.

AGENCY BRIEFS: LAW ENFORCEMENT STEPPING UP DUI PATROLS

Department of Public Safety: ODPS noted that law enforcement officials across Ohio will have increased enforcement of drunken driving laws, and said the effort will continue through the extended Labor Day weekend.

Over the period, agencies will collectively participate in 5,700 hours of enforcement and conduct about 40 checkpoints.

"We are serious about saving lives and so are our partners, from law enforcement to safety advocates," DPS Director Henry Guzmán said. "We've seen a decline in alcohol-related fatalities on Ohio's roads over the past three years and we want to make sure that trend continues, so we're working to ensure everyone knows that drunk driving is simply not worth the risk."

The agency said 449 people died in alcohol-related crashes in 2008, a reduction from 473 in 2007 and 495 in 2006.

Department of Development: Interim Director Lisa Patt-McDaniel said the agency will deliver \$12.9 million to 24 communities through the federal stimulus law's community development block grant program.

The funds will be used to improve water and sewer systems.

"Infrastructure improvements improve quality of life, economic development opportunities and the region's ability to attract new business investment," Gov. Ted Strickland said in announcing the release. "They also help ensure that our communities are providing residents with safe and reliable sources of water and sanitary sewer systems. Most importantly, they are putting Ohioans to work."

The funds are being released to Adams County, Ashtabula, Barnesville Village, Darke County, Gallia County, Village of Dunkirk, Village of Deshler, Village of Russells Point, Meigs County, Village of Racine, Mercer County, Miami County, Village of Frazeyburg, Noble County, Village of Roseville, Village of Shawnee, Pike County, Village of Plymouth, Trumbull County, Washington County and Williams County.

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